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MANDATORY RETIREMENT

IN THE

SAINT JOHN AREA . . .

AN EXPLORATORY STUDY

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MANDATORY RETIREMENT IN THE SAINT JOHN AREA;

AN EXPLORATORY STUDY

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TABLE OF CONTENTS

SECTION	TOPIC		PAGE
A	SUMMARY OF REPORT		I
B	CONCLUSION OF REPORT		III
C	RECOMMENDATIONS TO ORGANIZATIONS		VI
D	INTRODUCTION		I
	I	PURPOSE OF REPORT AND OUTLINE	I
	II	WHY A STUDY OF MANDATORY RETIREMENT IS IMPORTANT	2
	III	BRIEF HISTORY	3
	IV	CURRENT CANADIAN RESEARCH IN MANDATORY RETIREMENT	5
	V	FOOTNOTES	6
E	LEGAL ASPECTS OF MANDATORY RETIREMENT		7
	I	INTRODUCTION	7
	II	METHOD	7
	III	FINDINGS	7
	IV	DISCUSSION	12
	V	FOOTNOTES	14
F	EMPLOYEE ATTITUDES TOWARD THEIR RETIREMENT		15
	I	INTRODUCTION	15
	II	METHOD	16
		(a) QUESTIONNAIRE DESIGN	16
		(b) SUBJECTS	17
		(c) PROCEDURE	17

SECTION	TOPIC		PAGE
	III	RESULTS	17
		(a) MAJOR FINDINGS	17
		(b) PENSION ADEQUACY AND ITS EFFECT ON DESIRE TO RETIRE	18
		(c) SALARY LEVEL AND ITS EFFECT ON DESIRE TO RETIRE	19
		(d) TYPE OF WORK AND ITS EFFECT ON DESIRE TO RETIRE	19
		(e) AGE AND ITS EFFECT ON DESIRE TO RETIRE	20
		(f) SEX AND ITS EFFECT ON DESIRE TO RETIRE	20
	IV	DISCUSSION	21
G	THE ECONOMICS OF RETIREMENT		25
	I	INTRODUCTION	25
	II	METHOD	25
		(a) PRIMARY DATA	25
		(b) EMPIRICAL RESEARCH	25
		1. INTERVIEWS	25
		2. QUESTIONNAIRE DESIGN	26
		2a SAMPLE	26
		2b PROCEDURE	26
	III	FINDINGS AND DISCUSSIONS	27
		(a) INDIVIDUAL SAVINGS AND INVESTMENT	27
		(b) COMPANY PENSION	27
		B1. GENERAL OVERVIEW	27
		B2. CONTRIBUTORY PLANS AND VESTING	28

SECTION	TOPIC		PAGE
		B3. PENSION PLAN MEMBERSHIP BY INDUSTRY	30
		B4. ELIGIBILITY FOR PENSION MEMBERSHIP	32
		B5. CALCULATION OF BENEFITS	35
		B6. PENSION INCOME IN THE GREATER SAINT JOHN AREA	38
	(c)	GOVERNMENT SUPPLEMENTS	42
		C1. OLD AGE SECURITY	42
		C2. GUARANTEED INCOME SUPPLEMENT	42
		C3. SPOUSES ALLOWANCE	45
		C4. THE CANADA PENSION PLAN	45
	IV	SUMMARY	49
	V	FOOTNOTES	50
H	VIEWS OF MANAGEMENT AND UNION LEADERS ABOUT ABOLISHING MANDATORY RETIREMENT		51
	I	INTRODUCTION	51
	II	METHOD	51
	III	FINDINGS	51
		(a) UNION VIEWS	51
	IV	DISCUSSION - UNION VIEWS	52
	V	FINDINGS	54
		(a) MANAGEMENT VIEWS	54
	VI	DISCUSSION - MANAGEMENT VIEWS	55
	VII	FOOTNOTES	57

SECTION	TOPIC	PAGE
I	PRE-RETIREMENT PLANNING PROGRAMS	58
	I INTRODUCTION	58
	II METHOD	58
	III FINDINGS	59
	(a) A CONCEPTUAL MODEL	59
	(b) ACTIVITIES WITHIN SAINT JOHN AND AREA	61
	IV DISCUSSION	64
SELECTED BIBLIOGRAPHY		68
APPENDIX I		69
APPENDIX II		70

SECTION A

SUMMARY OF REPORT

SUMMARY OF REPORT

Mandatory Retirement is an issue of growing concern and attention due to many factors, particularly the increasing proportion of our population turning 65.

-This attention is demonstrated by the numerous organizations which are studying the issue, such as the Conference Board of Canada, the special Senate Committee on Retirement, and the Federal and Provincial Human Rights Commissions.

There is no law in Canada which states that an individual must retire at 65, however, the company practice of retirement at 65 is widespread.

-Currently the Federal and Provincial Human Rights Codes allow mandatory retirement (for the most part) but both bodies would like to see it abolished.

Studies indicate that the vast majority of employees wish to retire at 65 or earlier. Eighty-seven percent of those surveyed in our study wished to do so. The most frequently stated age at which employees desire to retire was 55.

-The surprising results from our study was that for those who did wish to continue working past 65, the major reason cited was enjoyment of work. Other studies state financial need as the most common reason for employees to continue working.

The retirement income system as it is now in effect is inadequate to meet the basic needs of the elderly.

-Only 31% of the New Brunswick labour force are eligible for company pension benefits.

-There has been an increased need for social assistance for senior citizens.

-The increase in the over 65 population has been met with a corresponding increase in the percentage of Canadians living below the poverty level.

The President of the Canadian Labour Congress and the President of the Saint John District Labour Council do not wish to see mandatory retirement abolished. A major reason they cite is fear that the pressure will be removed to improve pensions if workers are given the option to continue working.

Management has expressed concern that if mandatory retirement were abolished it would be more difficult to dismiss elderly employees who were performing inadequately.

The provision of pre-retirement counselling by companies and unions is virtually non-existent. The New Brunswick Department of Labour does provide a counselling service which reaches a small percentage of retiring employees.

SECTION B

CONCLUSION OF REPORT

CONCLUSION OF REPORT

Mandatory retirement in the private sector should be abolished* despite the strong views of management and unions to the contrary. The following arguments support this conclusion:

1. The vast majority of employees (in our study 87%) wish to retire at 65 or earlier. Thus the abolition of mandatory retirement will not result in a widespread increase in unemployment.

2. A small minority of employees (in our study about 6%) wish to continue working past 65 because they enjoy their work. This minority, small as it is, merits consideration, particularly because it is unlikely that they will permit their opinions to be disregarded.

3. Abolition of mandatory retirement will not decrease the pressure to improve pensions and quality of retirement life, in that at present very little pressure for improvement exists, in fact it will likely have the reverse effect (See Section on Views of Management and Union Leaders about Abolishing Mandatory Retirement, Page 52).

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* There is one exception outlined at the end of this section, Page V.

4. Without mandatory retirement companies will be forced to develop adequate pensions to provide an incentive to employees to retire. The pensionable age will be the age at which most employees retire, and thus will replace the mandatory retirement age as a manpower planning tool.

There are of course negative aspects of eliminating mandatory retirement:

1. A real problem does exist with what to do about the unsatisfactory employee who chooses not to retire. This is a particular dilemma in today's work place where it is increasingly difficult and certainly unpleasant to fire someone (See Section on Views of Management and Union Leaders about Abolishing Mandatory Retirement, Page 55).

2. Another critical problem with removing compulsory retirement practices lies with executive personnel. They have a greater tendency to work past retirement age due to the high social and psychological status attached to their positions. The reason this creates difficulty is that these people significantly block promotion for those under them. Furthermore, the unsatisfactory performance of the executive is more damaging to the overall company performance

than is that of a lower level employee.

To surmount this problem, certain executive offices should be subject to retirement policies tailored to the company's requirements.

3. Finally the argument is made that mandatory retirement permits the employee to retire with dignity in that all employees are subject to the same policy.

This argument is invalid in that companies will feel compunction to retain employees to a pensionable age.

On the basis of our findings and in spite of some negative aspects, the authors feel that the abolition of mandatory retirement will not have a widespread detrimental effect on the Canadian population. In fact, its ramifications are for the most part favourable.

SECTION C

RECOMMENDATIONS TO ORGANIZATIONS

RECOMMENDATIONS TO ORGANIZATIONS

Companies and unions should prepare for the abolition of mandatory retirement before legislation catapults them into action. The organization best prepared for a change in legislation will have an enlightened retirement policy, since this will ensure that most employees leave at the pensionable age. Such a policy will include the following components:

- adequate pensions (this is of primary importance for the employee who did not have the income and/or the knowledge to make personal investments for retirement).
- pre-retirement planning programs to educate the employee about the various aspects of retirement; particularly finances and the positive features of retirement.
- a campaign utilizing mass media, aimed at the individual, to promote awareness of and personal responsibility for retirement income. (This could be sponsored by government or by companies as an advertising promotion for corporate responsibility).
- employees, in the years prior to reaching the pensionable age, acting as consultants for the individual being groomed as their replacement.
- gradual tapering off of time spent on the job, as opposed to immediate and total cessation of employment.

SECTION D

INTRODUCTION

1

INTRODUCTION

PURPOSE OF REPORT AND OUTLINE

The purpose of this study is to carry out an up-to-date, objective analysis of the retirement* issue, and consequently provide a framework of fact to aid organizations and individuals in their quest for a workable solution to the mandatory retirement** dilemma. Since the topic of mandatory retirement is vast, we have limited our examination to the private sector. The focus of the study is on the Saint John and New Brunswick area.

In dealing with this topic we will examine the legal aspects of retirement, the attitude of employees toward their retirement, the pension issue, the opinions of managers and trade unionists about a change in legislation, and finally the programs available in New Brunswick for education about pre-retirement planning.

---

* For the purpose of this paper, retirement will be defined as the permanent cessation of one's traditional type of employment for monetary reward.

** For the purpose of this paper, mandatory retirement will be defined as the forced termination of employment at a fixed age; usually 65 in Canada.

The authors wish to stress that mandatory retirement is a subject that encompasses many fields; it is impossible to give thorough consideration to all aspects. Consequently, this is an exploratory, empirical study to aid management, union and legislative organizations which must deal with the implications of abolishing or retaining mandatory retirement. It is not the investigation of a precise hypothesis.

II WHY A STUDY OF MANDATORY RETIREMENT IS IMPORTANT

In 1979 demographics have radically changed and it is crucial to look at the issue of retirement in great depth. The effects of the post-war baby boom which have been felt by many sectors of society in diverse ways over the years should now be examined in relation to its possible effects on retirement policy. Some predictions forecast that by the year 2031, for every three workers (i.e. those between 20 and 65), there will be one person over 65. In 1976 this ratio was seven to one.[1]

Clearly mandatory retirement is an issue that has come of age. In addition to demographics a combination of high unemployment, pension inadequacy, a mobile society, and increased life span has pushed the retirement issue into the limelight. Society is no longer concerning itself solely with the needs andproblems of youth; the needs and problems of the elderly are also demanding examination. This change

in trend is underlined by recent American legislation which extends the compulsory age of retirement from 65 to 70 in the private sector and eliminates it completely in the federal civil service.

It has been questioned if the legislation, passed by our neighbours south of the border, is truly a reflection of the wishes of the working population or simply a reflection of the wishes of politicians. Numerous studies conducted in North America indicate that the majority of the working population wish to retire at the traditional age of 65, if not earlier. Other areas of concern are the possible ramifications of such legislative change in terms of factors such as youth unemployment and company personnel administration. John Palmer, a Warmer Brookings Institute Economist commented on the problem when he remarked "It is incredible that Congress would be moving so fast to replace one retirement system with a new one it knows so little about".[2]

III BRIEF HISTORY

The history of retirement in Canada is closely linked with the formulation of the pension system. Prior to the development of a retirement benefit scheme, workers were kept at their jobs until they were no longer considered useful and then they were simply 'let go'. The burden of their welfare then fell to their families. It appears that most people worked until their health rendered them incapable of continuing.

It was just prior to the Great Depression that retirement first became a matter of govenment concern. Job scarcity and the plight of the elderly led to the 1927 Old Age Pension Act, which provided income for people 70 years of age and older with no means of support. Loss of work no longer meant total loss of income.

Immediately after World War II, private companies began to create retirement policies. A tight labour market and government wage controls forced employers to use fringe benefits to attract workers. When drafting retirement clauses, the cutoff age of 65 was adopted, which seems to have its origin in the first universal social security system created in 1884 by Otto Von Bismarck, Chancellor of Germany. However, since the post war labour force was generally young, retirement was not a prevalent issue in their minds [3] and this policy was not questioned.

Throughout the years Canada has been a leader not a follower in the area of retirement legislation. In 1870 the Dominion government provided pensions for their employees of long service. The Grand Trunk Railway provided the first private sector pension system in 1874. As early as 1919 tax concessions were available to companies providing retirement benefits to their workers. The Old Age Security Act of the United States was 8 years behind its Canadian counterpart. It was never illegal for Canadians to negotiate for pension benefits in their collective agreements, whereas their brothers south of the border only received this right in 1948.

IV CURRENT CANADIAN RESEARCH IN MANDATORY RETIREMENT

As of late there is a burst of activity in Canada to study the mandatory retirement issue. A special committee of the Senate of Canada was set up in December 1977 and is led by Senator David Croll. It has been undertaking detailed studies on problems relating to mandatory retirement. Also there is an extensive survey being conducted by the Canadian Conference Board in collaboration with the Canadian Human Rights Commission.

A number of federal agencies are conducting studies related to the question of mandatory retirement. Among these are Health and Welfare Canada, Labour Canada, Treasury Board, and the Economic Council of Canada. In 1975, the Canadian Council on Social Development carried out a major study of retirement policies in Canada. Finally, even the cartoonists are focusing their attention on the retirement issue as can be seen in the following comic strip:

HERE ARE THE MONTHLY COMMENTS FROM THE SUGGESTION BOX
MORE THAN HALF THE EMPLOYEES FAVOR EARLY RETIREMENT
REALLY?!
NOT FOR THEM— FOR YOU!

V FOOTNOTES

1. Geoffrey Calvert, Pensions and Survival, MacLean Hunt Ltd. 1977, Page 19.

2. Time Magazine, Oct. 10, 1977, Revolt of the Old, the battle against forced retirement.

3. Lawrence E. Coward, Pensions in Canada, CCH Canadian Ltd., 1964 "Some History of Pensions in Canada".

SECTION E

LEGAL ASPECTS OF MANDATORY RETIREMENT

LEGAL ASPECTS OF MANDATORY RETIREMENT

I INTRODUCTION

Legal considerations would be a fundamental concern for an organization or individual dealing with mandatory retirement. For example, questions that one might ask about this issue are as follows:

1. Is there a law in Canada that states an individual must retire at 65?
2. What precisely are the legal parameters of the legislation?
3. Is mandatory retirement within the federal or provincial jurisdiction?

This paper is by no means an exhaustive, legal document but it provides a concise overview of the subject.

II METHOD

In order to investigate the legal aspects of mandatory retirement we examined the federal and provincial Human Rights legislation and discussed the issue with officers of the New Brunswick Human Rights Commission. We also surveyed existing legal and arbitration decisions in New Brunswick and other provinces.

III FINDINGS

There is no law in Canada, either federally or provincially which states that an individual must retire at

age 65. However, for numerous reasons, there is a widespread practice for company policy to call for mandatory retirement of employees at, or near, the age of 65.

By virtue of the BRITISH NORTH AMERICA ACT matters concerning civil rights (such as mandatory retirement) are under provincial jurisdiction, consequently there are 13 different jurisdictions in Canada with legislation covering age discrimination and retirement.

The Federal Human Rights legislation is dealt with in the FEDERAL HUMAN RIGHTS ACT and prohibits discrimination on the basis of age. However, it does make provision for mandatory retirement practices and in section 9 (2) and 14 (c) refers to a "normal retirement age"

> Section 14 (c) of the Act states:
> It is not a discriminatory practice if .... (c) an individual's employment is terminated because that individual has reached the normal age of retirement for employees working in positions similar to the position of that individual.
>
> Section 9 (2) of the Act also specifically allows certain retirement practices:
>
> Notwithstanding subsection (1), it is not a discriminatory practice for an employee organization to exclude, expel or suspend an individual from membership in the organization because that indivi-

> dual has reached the normal age of retirement for individuals working in positions similar to the position of that individual.

The Commission, therefore, has not accepted any complaints of discrimination because of retirement from paid employment at the mandatory retirement age.

However, according to the brief presented to the Special Senate Committee on Retirement Policies, the Canadian Human Rights Commission does not favour the perpetuation of mandatory retirement.

The brief states the following:

> Consistent with the best interests of society and the ability of the individuals concerned, retirement practices which allow older workers a greater measure of self-determination than now exists would bring present Canadian employment systems more into line with the spirit of equality of opportunity which informs the Canadian Human Rights Act.[1]

In New Brunswick the provincial Human Rights Code limits discrimination in employment on the basis of age. It sets out in Section 3 (1) that:

> No employer, employers' organization or other person acting on behalf of an employer shall:
> (a) refuse to employ or continue to employ a person,

(b) discriminate against any person in respect of employment or any term or condition of employment, because of race, color, religion, national origin, ancestry, place of origin, physical disability, marital status, or sex.

(Age is defined in the Act as nineteen years old and older).

The aforementioned section appears to prohibit any type of discrimination in employment on the basis of age. However, a subsequent section provides exception to the rule outlined above. Section 3(6) states:

The provisions of subsections (1), (2), (3), and (4) as to age do not apply to:

(a) the termination of employment or a refusal to employ because of the terms or conditions of any *BONA FIDE* retirement or pension plan;

(b) the operation of the terms or conditions of any *BONA FIDE* retirement or pension plan that have the effect of a minimum service requirement; or

(c) the operation of terms or conditions of any *BONA FIDE* group or employee insurance plan.

The interpretation of the above provisions and the meaning of terms such as *BONA FIDE* has not, as yet, been

defined in the courts; consequently it is very difficult to make an incisive statement about their effect on the employer and employee. Currently the government is being forced to examine the issue of mandatory retirement and form a policy on it due to a case involving a 65 year old New Brunswick nurse who objects to forced retirement on human rights grounds. Thus we may have a test case that will serve to crystalize the true meaning and strength of existing legislation. The New Brunswick Human Rights Commission has accepted a number of complaints from individuals who were forcibly retired at age 65 but who were not members of the formal pension plan at the particular company. Consequently they would not be affected by provision 3 (6) outlined above, which permits termination of employment for an employee who is covered by a *BONA FIDE* pension plan.

In the province of British Columbia, in August of 1978 there was an arbitration decision which found mandatory retirement at age 65 to be contrary to the Human Rights Code of that province. The following is a brief summary of the case.

> The grievor, Mr. Miller, was forced to retire shortly after his 65th birthday. He appealed this decision to his union, which brought it to arbitration.
>
> The Arbitration Board found that Mr. Miller had been discriminated against under the terms of the

Human Rights Code of B.C. on the general principle that, in the absence of any evidence that a mandatory retirement age bears reasonable relation to the requirements of the job to be performed, a retirement policy has exceeded the limits of management rights and is, therefore, discriminatory on grounds of age.

The Board also found that other individuals employed by the Association had not been retired when they reached age 65. And, therefore, the selection of Mr. Miller for retirement at that age was discriminatory and in contravention of the terms of the collective agreement which prohibits discrimination in employment procedures on grounds of age as well as on other grounds.[2]

IV DISCUSSION

The Canadian Human Rights Commission claims that the principle underlying the Canadian Human Rights Act is that Canadian society should have a policy of voluntary retirement. However, at present sections 9 (2) and 14 (c) of the federal act allow for mandatory retirement. There is no evident explanation as to why such provision for mandatory retirement was included in the Human Rights act at the outset, if in fact it violates human rights principles so dramatically.

Likewise, the HUMAN RIGHTS CODE OF NEW BRUNSWICK prohibits discrimination on the basis of age, unless the employee is covered by a *BONA FIDE* pension plan. It is difficult to define the exact parameters of such legislation since there have not been any court cases to provide a precedent. However it is evident that the New Brunswick Human Rights Commission, in keeping with the Federal Commission, hopes to see mandatory retirement abolished.

V FOOTNOTES

1. Canadian Human Rights Commission: Brief to the Special Committee on Retirement Age Policies

2. Ibib. p. 4

SECTION F

EMPLOYEE ATTITUDES TOWARD THEIR RETIREMENT

EMPLOYEE ATTITUDES TOWARD THEIR RETIREMENT

I INTRODUCTION

It seems evident that a regional examination of mandatory retirement must strive to determine the actual attitude of employees toward their retirement. Groups continually speculate on what they think employees want: politicians may claim that employees wish to die in harness, employers may claim that 65 is the universally desired age of retirement, trade unions may claim that employees wish to retire at 45. The primary purpose of this study is to determine objectively the actual attitudes of employees in the Saint John region toward their own retirement, and to identify major factors that are associated with these attitudes. It should be stressed that we were interested in determining the employee's personal attitude about their retirement, not the overall philosophical issue of whether mandatory retirement is right or wrong.

II METHOD

(a) Questionnaire Design

The following questionnaire was used to determine the employee's personal attitude about their retirement. The specific question to be answered was whether the employee wishes to retire at 65 or earlier, or continue working after the age of 65.

QUESTIONNAIRE ON RETIREMENT

THIS QUESTIONNAIRE IS TO DETERMINE YOUR OWN PERSONAL FEELINGS ABOUT YOUR RETIREMENT. WHEN YOU ANSWER THE QUESTIONS, IMAGINE THAT THERE ARE NO COMPULSORY RULES REGARDING RETIREMENT.

DO NOT SIGN THE QUESTIONNAIRE

1. AT WHAT AGE WILL YOU RETIRE FROM YOUR PRESENT TYPE OF EMPLOYMENT? ____

1.
A IF YOU INDICATED AN AGE OVER 65 YEARS OLD, WHICH OF THE FOLLOWING IS THE MOST IMPORTANT REASON FOR CONTINUING WORK? CHECK ONLY 1 (ONE) REASON:
___ YOU NEED THE MONEY TO MAINTAIN AN ACCEPTABLE STANDARD OF LIVING.
___ YOU LIKE YOUR WORK AND WANT TO CONTINUE.
___ YOU WILL HAVE NOTHING TO DO IF YOU RETIRE.
___ OTHER (PLEASE EXPLAIN).

B IF YOU INDICATED AN AGE OF 65 YEARS OR LESS, WHICH OF THE FOLLOWING IS THE MOST IMPORTANT REASON FOR DECIDING TO STOP WORK? CHECK ONLY 1 (ONE) REASON:
___ YOUR WORK IS TOO DEMANDING PHYSICALLY FOR YOU TO CONTINUE.
___ YOUR WORK IS TOO DEMANDING MENTALLY FOR YOU TO CONTINUE.
___ YOU CAN ENJOY YOURSELF MORE WHEN NOT WORKING AT YOUR JOB.
___ YOU FEEL THAT EMPLOYEES IN JOBS SUCH AS YOURS SHOULD RETIRE AT 65 OR YOUNGER (PLEASE EXPLAIN).
___ OTHER (PLEASE EXPLAIN).

2.A PERSONAL DATA: CHECK THE APPROPRIATE BOX
___ FEMALE
___ MALE

B SALARY:
___ LESS THAN $8,000 PER YEAR
___ $8,000 - $10,000 PER YEAR
___ BETWEEN $10,000 AND $15,000 PER YEAR
___ $15,000 - $20,000 PER YEAR
___ $20,000 - $25,000 PER YEAR
___ $25,000 - $30,000 PER YEAR
___ GREATER THAN $30,000 PER YEAR

C PRESENT AGE: ____

D DOES YOUR PLACE OF WORK HAVE AN ADEQUATE PENSION PLAN?
___ YES
___ NO
___ DO NOT KNOW

E WHAT TYPE OF WORK DO YOU DO?
F HOW MANY DEPENDENTS DO YOU HAVE?
G HOW MANY YEARS HAVE YOU BEEN IN THE WORK FORCE?

(b) Subjects

The subjects were 1,000 employees from a service industry in Saint John. There was a wide cross-section of subjects in terms of unionized and non-unionized employees, age ranges, educational levels, and types of work done. Respondents included a range of hierarchical levels: (1) labourer (unskilled), (2) labourer (semi-skilled), (3) labourer (skilled), (4) clerical, (5) management (supervisory, middle and top), (6) professional.

(c) Procedure

The questionnaire was administered to the employees by company mail with a covering letter from the experimenters and the company Personnel Department. Upon completion of the questionnaires, they were returned anonymously, to the Personnel Department. One thousand questionnaires were distributed. Six hundred and sixty-three were returned, but due to ambiguous responses, only 593 were analyzed.

III RESULTS

(a) Major Findings

The major finding was that in fact 86.5% of the employees did wish to retire at 65 or earlier; 9.1% wished to continue working past the age of 65; and 4.4% did not respond.

Of the five options listed for wishing to retire, the most frequently chosen one was "You can enjoy yourself more when not

working at your job" (51.2%) (See Question I.B). This was followed by "Other" (30.4%), which included reasons such as the desire to enjoy life and travel while they had their health and the desire to take different jobs. The next most frequently chosen option was " You feel that employees in jobs such as yours should retire at 65 or younger" (11.7%). The final two options "Your work is too demanding physically for you to continue", and "Your work is too demanding mentally for you to continue" were chosen with a frequency of 3.4% and 3.2% respectively.

The predominant choice of the 4 options listed for wishing to continue work past the age of 65 was "You like your work and want to continue" (44.6%) (See Question I.A). This was followed by "You need the money to maintain an acceptable standard of living" (33.9%). The next most frequently chosen option was "Other" (12.5%) followed by "You will have nothing to do if you retire" (8.9%).

(b) Pension Adequacy and its Effect on Desire to Retire

The vast majority of individuals (88%) who considered their pensions to be adequate wished to retire at 65 or earlier. However, 86% of the individuals who did not consider their pensions to be adequate also wished to retire at 65 or earlier. Clearly there is not a significant difference in response between the two groups. In this respect

it should be noted that the significant finding is that those who said they did not have an adequate pension stated that they wished to retire at an older age than those who considered their pension to be adequate.

(c) Salary Level and its Effect on Desire to Retire

The majority of respondents in all salary ranges wished to retire at 65 or earlier. The group most favourably disposed to retirement (92.1%) was in the income range of $20,000 - $25,000/year. This was followed in descending order by:

88.2%	$8,000 - $10,000
87.5%	$15,000 - $20,000
87.1%	$25,000 - $30,000
84.4%	Less than $8,000
80.6%	$10,000 - $15,000
68.4%	Greater than $30,000

(d) Type of Work and its Effect on Desire to Retire

When an employee's desire to retire was correlated with the type of work done, it was found that the majority of employees in all work classifications wished to retire at 65 or earlier. The group most favourably disposed to retirement (100%) was the unskilled labourer. This was followed in descending order by:

94.7% Skilled labourer

86.9% Managerial

86.3% Clerical

83.3% Semi-skilled

76.8% Professional

The one statistically significant finding is that employees who work in clerical jobs stated that they wished to retire at a younger age than Managerial, Professional, and Semi-skilled employees.

(e) Age and its Effect on Desire to Retire

There was no statistically significant difference between any of the age groups and their desired retirement age. The group most favourably disposed to retirement (100%) was the 60 to 65 year old range. This was followed in descending order by:

92.6% 40 to 49 years

87.1% 30 to 39 years

85.7% Under 30 years

79.6% 50 to 59 years

The majority of respondents in all age groups wanted to retire before 65.

(f) Sex and its Effect on Desire to Retire

The majority of respondents in both sex categories wished to retire at age 65 or earlier, with percentages as follows:

86% Females

86.7% Males

It was found that the average desired retirement age was lower for females (53) than males (59). However, when the female sample was limited to those 35 and over, the average increased to 59.

IV DISCUSSION

It appears that with respect to desire to retire, the employees in Saint John are no different than the employees examined in numerous other studies across North America. The surprising finding was that of the employees who did wish to continue working, they cited as the major reason that they liked their work and wished to continue. This reason was not unique to top level executives. It was cited as the major reason by respondents from all salary ranges and all types of work. This contradicts many major studies (Pollman, Atchley, Orris) which cite financial need as the major reason to keep working past 65.

In attempting to explain this finding, one must bear in mind that the company did not, for the most part, have jobs that were hard physical labour. When a similar questionnaire was given to employees in the Saint John area who do hard physical labour, the major reason to continue working was financial need. Yet another possible explanation is that the group sampled had one of the better pensions in the

community. Consequently there should not be financial need to continue working past the pensionable age. Furthermore this study is very recent and perhaps it reflects the change in reasons for employees to continue working that would be concomitant with an improvement in pensions. The above statements are made, despite the fact that the majority of employees (52.2%) felt that their pensions are inadequate.

It is difficult to explain why the perceived inadequacy of the pension did not eliminate the desire to retire. One might think that it would be due to the employee receiving maximum pension benefits if they retire between the ages of 60 and 65. Even though they were instructed in the questionnaire to imagine that there were no compulsory rules regarding retirement, the fact that maximum benefits are available between 60 and 65 may have influenced them to respond before 65. However, this does not explain why so many stated 55 to be the desired retirement age since this is before maximum pension benefits are available. It does appear that the desire to retire overcomes perceived pension inadequacy and that the respondents did in fact follow the instructions on the questionnaire and imagined that there were no compulsory rules regarding retirement. A final point is that the pension plan is non-contributory; consequently the employees may have stated that it is inadequate in the hopes of influencing the company to increase contributions.

The salary group least favourably disposed to retirement was that with yearly earnings greater than $30,000. The traditional explanation of this is that the psycho-social status attached to an executive job is lost when he/she leaves the work force. Also there may be a feeling among top management that it would be disloyal to state they wished to retire before 65. The salary group most favourably disposed to retirement was in the $20,000 - $25,000 range. This finding is consistent with other major studies (Atchley) which state the group most favourably disposed to retirement is the middle income group. These individuals have sufficient income to live, and unlike the executives, seek greater fulfillment in life outside the work environment.

The finding that clerical workers stated they wished to retire at an earlier age than managerial, professional and semi-skilled employees was statistically significant. This may be explained by the high proportion of young females in this category (79.7% of the clerical employees were female). A large proportion of the clerical workers under 22 years old stated a desired retirement age of 25 because they wished to get married. This lowered the average age desired for retirement for females to 53 years old versus 59 for males. When the female population was limited to those over 35, the average desired retirement age increased to 59 as well.

Finally, it is interesting to note that the acceptable age range for retirement is between 55 to 65 years, with the mode being 55. Only 17.6% of the population stated that they wanted to retire at an age less than 55. Thus there does not appear to be an overwhelming desire to radically alter the retirement age among any age group, work classification or salary range.

In conclusion, on the basis of the evidence, it does not appear that if mandatory retirement were abolished the vast majority of employees would continue working past the age of 65. Approximately 87% of the employees surveyed indicated that they wished to retire at age 65 or earlier because they could enjoy life more when not working at their job. Consequently company policy and legislation should reflect this attitude and aid the employees in achieving their objective. On the other hand, approximately 5% of the employees surveyed indicated that they wished to continue after the age of 65 because they enjoyed their work. This minority, small as it is, merits consideration, particularly because it is unlikely that they will permit their opinions to be disregarded.

THE ECONOMICS OF RETIREMENT

I INTRODUCTION

The importance of income when formulating retirement policy cannot be overly stressed. In the past, major studies have cited financial need as the primary reason for individuals to continue working after the normal retirement age of 65.

The three major sources of retirement income are considered in this report to be individual savings and investment, company pensions, and government subsidies. These areas will be discussed in turn, within the body of this chapter.

II METHOD

a) Primary Data

The primary sources of information used in this report were:

1. 1971 Census.
2. Statistics Canada Reports
   a. 1971 Urban Spending Patterns
   b. Pension Plans in New Brunswick as at January 1, 1977
   c. Consumer Price Index
3. 1976 Canada Year Book.

b) Empirical Research

1. Interviews: conversations with personnel involved in the formulation and administration of pension policy, provided useful information and leads as to where to obtain information. These people included personnel from the Canada Pension Office, private industry, and the provincial government.

2. Questionnaire Design: the purpose of the questionnaire was to gain an insight into the range of pension benefits available to members of the Saint John area work force (See the Appendix I for more details).

2a. Sample

The questionnaire was sent out to 30 employers in Saint John. The companies were chosen for their diversity. For example it was sent to chartered accountancy firms and to small construction contractors. Twelve questionnaires were returned, 10 were useful to this study.

2b. Procedure

The questionnaires were mailed out from the University to the personnel departments of the various firms. Follow-up telephone calls were made approximately 4 days after mailing.

III FINDINGS AND DISCUSSION

A. INDIVIDUAL SAVINGS AND INVESTMENT

Due to the private nature of investment portfolios, individual savings and investment income will not be dealt with in the course of this study. This is not to underestimate the importance of such revenue, indeed this area may merit a complete study as to its possible effects on future pension and retirement policies. This form of income may also radically affect the retirees standard of living.

B. COMPANY PENSION

BI. GENERAL OVERVIEW

In New Brunswick it is required by law that all pension systems affecting residents of the province be registered with the Department of Labour. As a result, there is a good primary source of data available.

As of January 1, 1977 there were 1,053 pension plans in operation in New Brunswick, of these 1000 were private sector oriented.[1] In 1971 only 31% of the provincial work force were members of some type of company sponsored pension system.[2] By 1976 membership increased by 25,300 but a corresponding growth in the labour force kept the percentage of employees covered fairly constant.[3]

The scope of this study is meant to encompass only the existing retirement situation as it pertains to the private sector. Unfortunately the available data often includes both sectors and it is impossible to separate the two. Therefore, where it is unavoidable, figures quoted will apply to both public and private sector employees.

B2. CONTRIBUTORY PLANS AND VESTING

Sixty-four percent of pension plans in the New Brunswick private sector are contributory.[5] That is to say that the premiums paying for the system are at least in part paid for by its beneficiaries. The advantages of this arrangement to the individual are two-fold. To begin with, a contributory plan usually allows its membership some control over the operation and administration of the fund. Secondly, it is often the case in a contributory system, that the pension becomes portable or vested. This allows the individual certain rights to his portion of the pension fund upon termination of employment. There are three major ways in which these rights are transferred:

1. the money is turned over in a lump sum
2. the money is kept in the fund and premiums are paid out at normal retirement age
3. the benefits due may be transferred to the new place of employment

The basis on which vesting is determined is presented in Table I on the following page.

TABLE I VESTING ON TERMINATION OF EMPLOYMENT IN NEW BRUNSWICK PRIVATE SECTOR PENSION PLANS

BASIS FOR VESTING	PLANS	MEMBERSHIP
Immediate and Full	59	1,115
Years of Service	476	13,775
Years of Participation in Plan	148	6,306
Age	2	24
Service and/or Age	75	6,486
Participation and/or Age	9	621
Other	33	790
No Vesting Provisions	198	8,705
TOTAL	1.000	37,882

Source: derived from Statistics Canada: Table 51 Pension Plans in New Brunswick as at January 1, 1977

According to this table, 55% of private sector plans use service time as a criterion to judge whether vesting will occur. These plans contain 53% of the membership. Fifty-five percent of the non-contributory pension plans also contained vesting provisions.

When no arrangements have been made for vesting, the amount contributed on behalf of the employee stays in the pension fund upon termination of service.

B3. PENSION PLAN MEMBERSHIP BY INDUSTRY

Table 2 gives a breakdown of pension membership by industry. As illustrated by this table, the primary industries that are so vital to our regional economy, namely farming, fishing, and forestry are very poorly represented. It is in these areas that heavy physical labour is required to do the job. Often the individual is self-employed and his savings are tied up in the equipment necessary to earn a living in these areas. The breakdown of health forces many of these people to retire, requiring them to live on government subsidies and family income.

Over 66% of pension membership is concentrated in the fields of transportation, communication, community business, and public administration and defense. These are all very large operations, tending to be either government operated or in some form government controlled. This leaves only 44% of pension membership outside government circles.

TABLE 2. NEW BRUNSWICK PENSION PLAN MEMBERSHIP BY INDUSTRY

INDUSTRY	PLANS	MEMBERSHIP
Agriculture	0	0
Forestry	1	35
Fishing and Trapping	0	0
Mining	14	2362
Manufacturing		
Food and Beverages	79	3762
Tobacco Products	4	30
Rubber Industries	9	117
Leather	6	107
Textiles	7	33
Knitting Mills	4	7
Clothing	7	10
Wood	8	480
Furniture and Fixtures	5	29
Paper and Allied Industries	28	5453
Printing and Publishing	21	682
Primary Metals	10	50
Metal Fabricating	34	426
Machinery	38	240
Transportation Equipment	21	526
Electrical Products	23	491
Non-Metallic Mineral Products	18	258
Petroleum and Coal Products	6	633
Chemicals	68	283
Miscellaneous	23	295
Construction	32	4039
Transport and Communications	55	12,524
Trade		
Wholesale	135	3,195
Retail	70	3,004
Finance, Insurance and Real Estate	125	3,224
Community Business and Personal Service	174	19,143
Public Administration and Defense	28	27,558
TOTAL	1,053	88,996

Source: derived from Statistics Canada Table 8 Pension Plans in New Brunswick as at January 1, 1977

SECTION G

THE ECONOMICS OF RETIREMENT

by

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B4. ELIGIBILITY FOR PENSION MEMBERSHIP

The conditions of membership in a company pension system is a major factor in the formulation of retirement policy. The questions of eligibility outlined below, must be considered before the foundation for retirement decisions can be laid:

1. should membership be decided on the basis of job classification
2. should there be different plans for various classifications
3. should membership be compulsory or voluntary
4. what conditions, other than job classification, should be used
5. should eligibility vary according to sex

Tables 3 and 4 show how New Brunswick pension systems have dealt with these problems.

As shown by Table 3, 65% of our pension plans admit all employees to the system. Twenty-nine plans decide if membership is to be compulsory, voluntary, or even allowed on the basis of sex.

According to Table 4, 80% of all pension plans use age and service time as conditions of eligibility. How these factors are considered varies according to job classification as can be seen by the breakdown of the tables.

TABLE 3 ADMISSION TO MEMBERSHIP OF NEW EMPLOYEES

PLANS BY CLASS OF EMPLOYEES ELIGIBLE

Employees	Compulsory Both Sexes		Voluntary Both Sexes		Compul. Male Volun.Female		Compul. Male Not Eligible Female		Voluntary Male Not Eligible Female		Not Eligible Males Compul. Females		New Employees Not Eligible Both Sexes	
	Plans	Member	Plans	Mbr.	Plans	Mbr.	Plans	Mbrship	Plans	Mbrship.	Plans	Membership	Plans	Membership
All employees	331	59,160	335	7098	13	388	2	51	7	93			5	235
Salaried	114	2,452	57	711	2	79			1	2	1	4		
Hourly	14	3,344	5	28									2	2
Executive	6	19	14	79					1	1				
Supervisory	3	38			1	2								
Combination	8	59	5	35										
Union Members	35	12,406	4	44										
Other	57	892	25	253	1	4							2	650
Variable by Sex			2	867										
TOTAL	568	78,370	447	9115	17	473	2	51	9	96	1	4	9	887

Source:derived from Statistics Canada Table Q17 Pensions in New Brunswick as at January 1, 1977

TABLE 4. CONDITIONS OF ELIGIBILITY FOR MEMBERSHIP
NUMBER OF PENSION PLANS AND MEMBERS BY
CLASS OF EMPLOYEE ELIGIBLE

CONDITIONS OF ELIGIBILITY	ALL EMPLOYEES		SALARIED		HOURLY		EXECUTIVE		SUPERVISORY		UNION		COMBINATIONS		OTHER	
	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.	PLANS	MBRS.
No Conditions	66	4,666	35	960	3	1938	7	36	1	24	27	6,002	2	56	20	287
Years of Service	135	5,488	27	408	6	566	4	45	2	14	4	649	2	16	16	117
Minimum Age	14	13,356	8	126			1	2							5	7
Maximum Age	22	1,974	12	405	1	18	1	1			3	3,981	2	3	4	676
Yrs. of Service & Minimum Age	100	2,984	34	413	1	11	3	8			2	35	1	3	9	113
Yrs. of Service & Maximum Age	89	8,267	19	295	3	15					1	1,135	2	5	11	405
Years of Service, Minimum & Maximum Age	205	6,043	30	525	6	822	1	1			2	648	2	8	13	85
Minimum & Maximum Age	18	23,657	3	13			2	2					1	2		
Yrs. of Service or Minimum Age	4	8	2	17	1	4									1	4
Yrs. of Service or Min. & Max. Age	4	119	2	51												
Other	13	72	2	33			1	3					1	1	6	111
Variable by Sex	14	247							1	2						
Males Only	9	144	1	2			1	1								
Females Only																
TOTAL	693	67,025	175	3,248	21	3,374	21	99	4	40	39	12,450	13	94	85	1,799

Source: derived from Statistics Canada: Table Q17 Pension Plans in New Brunswick as at January 1, 1977

B5. CALCULATION OF BENEFITS

A breakdown of the types of plans in operation according to the basis used in the calculation of benefits is presented in Table 5.

TABLE 5. PENSION PLANS IN NEW BRUNSWICK ACCORDING TO TYPE OF PLAN

TYPE OF PLAN	PLANS	MEMBERSHIP	PERCENTAGE
Unit Benefit			
Final Earnings	4	109	.1
Final Average Earnings	73	1649	1.8
Average Best Earnings	221	52,959	59.5
Level percent of Earnings	3	10	-
Career Average Earnings	444	20,165	22.6
Sub-Total	745	74,892	84.1
Money Purchase	206	5,261	5.9
Profit Sharing	16	302	.3
Flat Benefit	52	7,818	8.7
Composite	22	243	.2
Other	12	480	.5
Total	1053	88,996	100.0

Source: Derived from Statistics Canada. Pension Plans in New Brunswick as at January 1, 1977 Table 10.

Eighty-four percent of pension plans use a unit benefit approach in the formulation of a pension income. What this means is that the monthly income a pensioner receives from his company pension is determined by using a formula which involves a percentage of some portion of his employment income. The portion of income used in these calculations, broken down according to percentage benefit rates is presented in Table 6. According to this breakdown, 45% of unit benefit pension plans use 2.0% of salary as a benefit rate. Twenty-six percent of the membership of unit benefit systems use average best earnings in their pension calculations. Average best earnings is usually calculated on the employees five highest years salary regardless of when they were earned.

Other types of pension plans in existence in New Brunswick include money purchase, profit sharing, flat benefit, and composite systems. A money purchase plan is one in which the individual purchases a pension benefit package through his employer. Approximately 6% of the membership belong to this type of system.

A profit sharing arrangement awards the employee pension fund a portion of the company's after tax profits. As can be seen by Table 5, only 0.15% of New Brunswick plans are based on this system. The profit sharing plan has been recommended by some actuarials as an alternative to present pension systems. It is felt that such a system acts as an incentive to the employee to be productive. The company also contributes only what it can afford according to a set formula. This prevents the negotiation of pensions too steep for the company to handle.

TABLE 6. BENEFIT RATES IN UNIT BENEFIT PLANS WITH MEMBERSHIP BY EARNINGS BASE

Benefit Rates (Percent)	Final Earnings & Final Average Earnings		Average Best Earnings		Career Average Earnings		Total	
	Plans	Membership	Plans	Membership	Plans	Membership	Plans	Membership
Less than 1.00	1	2	2	118	3	89	6	209
1.00 - 1.24	7	146	18	418	20	290	45	854
1.25	3	17	5	272	6	31	14	320
1.26 - 1.49	1	3	4	2,701	2	47	7	2,751
1.50	14	410	49	1,359	69	3,425	132	5,194
1.51 - 1.74	11	135	13	143	14	519	38	797
1.75	4	9	13	528	33	1,102	50	1,639
1.76 - 1.99	1	1	3	25	3	3	7	29
2.00	23	902	71	46,241	240	13,611	334	60,754
Over 2.00	1	4	5	69	34	429	40	502
Variable by Sex	1	17	3	171	2	316	6	504
Other	10	112	34	887	18	303	62	1,302
TOTAL	77	1,758	220	52,932	444	20,165	741	74,855

Source: derived from Statistics Canada: Pension Plans in New Brunswick as at January 1, 1977 Table 66

The major stumbling block to the profit sharing plan is the mistrust between unions and management, fostered by the adversary philosophy of our Industrial Relations System.

A flat benefit plan is one in which all employees contribute the same amount and receive the same pension regardless of earnings. This type of plan includes just under 9% of pension membership.

Finally, a composite plan utilizes certain aspects of a combination of plans. Only 0.27. of the pension plans in New Brunswick use this system to calculate benefits payable.

A more complete breakdown of the different plans is presented in Table 5.

B6. PENSION INCOME IN THE GREATER SAINT JOHN AREA

To this point an overview of the existing pension situation in the whole of New Brunswick has been presented. This sub-section will deal with the retirement income picture as it exists in the greater Saint John area.

The information presented in this sub-section, other than that taken from Statistics Canada, is the results of the questionnaire described in the methodology section of this chapter.

The income figures presented in Table 7 were calculated according to the formulae obtained from the questionnaire. All income levels are reported on a yearly basis and are exclusive of government subsidies in all but three cases. The financial institution, Manufacturing Company A, and the government office, integrate their plans directly with the Canada Pension Plan. All figures in Table 7 are rough approximations.

The retirement income listed in Table 7 are for one set of assumptions for three possible income levels and by no means presents a complete picture.

TABLE 7 EXAMPLES OF PENSION INCOME FOR AN EMPLOYEE AGED 65 WITH 40 YEARS OF SERVICE RETIRING FROM EMPLOYMENT IN THE SAINT JOHN AREA IN DECEMBER 1978

TYPE OF COMPANY	SIZE: # OF EMPL.	CONTRIBUTOR	COMPANY PENSION BASED ON LAST 60 MONTHS AVERAGE EARNINGS OF: 8,000	13,000	18,000	NOTE
Financial Institution	22,000	Both[4]	5,600	9,100	12,600	1
Labour Intensive	1,000	Employer	4,200	4,200	4,200	2
Manufacturing Company A	600	Union [5]	1,920	3,120	4,320	3
		Management	5,600	9,100	12,600	
Manufacturing Company B	500	Both	960	3,960	6,960	
Manufacturing Company C	500	Employee	1,800	4,400	6,000	
Manufacturing Company D	300	Both	840	840	840	2
Utility	3,000	Employer	3,600	6,261	8,921	
National Retailer	300	Employer	480	7,800	10,800	
Government Office	1,000	Both	5,600	9,100	11,000	
Transit Company	60	No Pension				

Note 1 - The 22,000 employees are the total of those employed across Canada

2 - Flat benefit plans

3 - Plans differ according to job classification

4 - Both refers to the employer and employee

5 -Two separate plans in effect. The union plan is completely paid for by the employees while the management plan is paid for by both the staff covered and the employer

Source: Derived from information obtained in Questionnaire administered by D. Armstrong

A more total picture of senior citizen incomes in the greater Saint John area is outlined in Table 8.

TABLE 8. INCOME LEVELS FOR SAINT JOHN RESIDENTS 65 YEARS OF AGE AND OLDER

SEX	TOTAL	NO INCOME	UNDER $1000	$1000 $1999	$2000 $2999	$3000 $4999	$5000 $6999	$7000 $9999	$10,000 $14,000	OVER $15,000
Male	4,140	20	145	1380	625	865	445	370	170	120
Female	5,980	110	895	2860	740	800	315	165	80	-
TOTAL	10,120	130	1040	4240	1365	1665	760	536	250	120
%	100	1.28	10.27	41.9	13.5	16.4	7.5	5.3	2.5	1.2

Source: derived from 1971 Census Report.. Population 15 years and over by age groups, showing 1970 income levels and sex for Census Metropolitan areas.

Statistics Canada defines poverty as the point at which an individual or family spends at least 70% of their total income on food, clothing and shelter. This definition describes an absolute minimum needs standard and is not concerned with relative inequities.[6] The corresponding dollar value for this definition of poverty is calculated as follows (See Appendix II for more information).

1971 Poverty Level	$3,000[7] (Index of 1.00)
1978 Consumer Price Index	1.77
1978 Poverty Level	$5,310

According to Table 8 and the aforementioned poverty line, approximately 67% of Saint John senior citizens had incomes of less than $3,000. Twenty-three percent of citizens over 65 were still gainfully employed and earning an average income of $2,330.[8] This means that of the 33% of our senior citizens living over the poverty line, only 10% were living solely on retirement income. These figures more than anything else illustrates the inadequacies of our pension system.

The figures contained in Table 8 are almost nine years old and may be described as irrelevant by some. However, the rising concern over poverty among the elderly and the increased need for social assistance to senior citizens justify their usage. Many retirees are living on fixed incomes that vary little with the increases in the cost of living. The actual numbers in this table have changed but it is believed that the release of the next Census Report will show that the percentages have not.

C. GOVERNMENT SUPPLEMENTS

C1. OLD AGE SECURITY

The Old Age Security (OAS) Act of 1927 provides a basic income to all Canadians over the age of 65 who meet a residency qualification. They must, in order to be eligible for this benefit, have resided in Canada for at least 10 years after the age of 18. A person may qualify for a full pension or partial pension depending on his periods of residence in Canada after age 18. As of October 1978 the basic O.A.S. pension was $1,976.88 per annum.

C2. GUARANTEED INCOME SUPPLEMENT

The Guaranteed Income Supplement (G.I.S.) was designed to bridge the gap for those Canadians born prior to 1910 and not eligible for Canada Pension Plan Benefits. Anyone eligible for Old Age Security with a limited supplementary income is eligible for the Guaranteed Income Supplement. The supplement will be paid until all sources of income plus the Supplement less the Old Age Security Pension equals $2,904. (Other Income + G.I.S. - O.A.S. = $2,904). A person receiving the supplement and the full Old Age Security Pension would have a yearly income of $4,881. This is still $429.00 below the poverty line.

It was originally intended that the Guaranteed Income Supplement would fade out over time as the Canada Pension Plan took full effect. As can be seen in Table 9 this is not the case, in fact the opposite is occurring. In 1976, ten years after the Canada Pension Plan was instituted, the supplement payments were increasing. Since the number of people born prior to 1910 could not increase, the reason for this rise in payments is the inadequacy of the present pension system.

OLD AGE SECURITY (OAS), GUARANTEED INCOME SUPPLEMENT (GIS), SPOUSE'S ALLOWANCE (SA), NUMBER OF RECIPIENTS IN MARCH 1975 AND 1976 AND NET BENEFITS PAID, BY PROVINCE, FISCAL YEARS ENDED MARCH 31, 1975 AND 1976

PROV. OR TERRIT.	RECIPIENTS IN MARCH				NET BENEFITS PAID DURING FISCAL YEAR			
	OAS ONLY	OAS & GIS	SPOUSE'S ALLOW.	TOTAL RECIP-IENTS	OAS ONLY $'000	GIS ONLY $'000	SPOUSE'S ALLOW-ANCE $'000	TOTAL $'000
Nfld.								
1975	6,222	29,266	---	35,488	48,306	24,761	---	73,067
1976	6,778	29,713	2,379	36,491	55,470	28,048	1,719	85,237
PEI								
1975	3,255	9,773	---	13,028	17,938	7,998	---	25,936
1976	3,363	9,874	666	13,237	19,879	9,073	529	29,480
NS								
1975	25,768	52,112	---	77,880	106,378	41,952	---	148,330
1976	26,562	52,839	3,473	79,401	120,928	46,629	2,640	170,197
NB								
1975	19,419	39,617	---	59,036	81,686	31,180	---	112,865
1976	20,696	39,647	2,086	60,343	91,782	35,304	1,682	128,767
Que.								
1975	176,629	289,114	---	465,743	630,827	233,086	---	863,914
1976	181,036	296,977	15,905	478,013	727,954	261,998	10,480	1,000,433
Ont.								
1975	361,792	340,869	---	702,661	958,094	248,668	---	1,206,762
1976	378,677	338,404	12,434	717,081	1087,498	275,027	6,768	1,369,293
Man.								
1975	41,400	62,160	---	103,560	141,724	47,526	---	189,251
1976	43,066	61,950	3,745	105,016	159,905	51,823	2,463	214,191
Sask.								
1975	41,837	58,421	---	100,258	137,010	46,054	---	183,064
1976	44,395	57,128	3,415	101,523	154,703	48,394	2,316	205,413
Alta.								
1975	53,391	76,719	---	130,110	175,915	60,924	---	236,839
1976	56,514	76,460	3,968	132,974	202,982	64,525	2,376	269,883
BC								
1975	103,123	123,269	---	226,392	307,630	93,688	--	401,319
1976	108,618	122,999	6,103	231,617	351,963	101,451	3,982	457,395
YT								
1975	230	311	---	541	744	296	---	1,040
1976	247	314	3	561	887	311	2	1,199

(Continued)

PROV. OR TERRIT.	RECIPIENTS IN MARCH				NET BENEFITS PAID DURING FISCAL YEAR			
	OAS ONLY	OAS & GIS	SPOUSE'S ALLOW.	TOTAL RECIP-IENTS	OAS ONLY $'000	GIS ONLY $'000	SPOUSE'S ALLOW-ANCE $'000	TOTAL $'000
NWT								
1975	207	775	---	982	1,471	617	---	2,089
1976	223	808	17	1,031	1,613	831	14	2,457
Canada								
1975	833,273	1,082,406	---	1,915,679	2,607,724	836,750	---	3,444,474
1976	870,175	1,087,113	54,194	1,957,288	2,975,562	923,413	34,970	3,933,945

Source: 1976 Canada Year Book, Page 299

C3. SPOUSES ALLOWANCE

Before the Canada Pension Plan is discussed in detail, we will look at the Spouse's Allowance. This is the third source of income available to the pensioner that is not employment related. This 1975 amendment to the Old Age Security Act provides a Spouse's Allowance based on the combined income of the couple. To be eligible, one must meet the following criterion:

1. must be a spouse of an Old Age Security pensioner
2. must be between 60 and 65 years of age
3. must meet the O.A.S. residency requirements

The average income from the combination of these three programs, according to Table 9 was $2,134 in 1976.

C4. THE CANADA PENSION PLAN

The Canada Pension Plan, devised in 1966 is designed to provide retirement income to all Canadians who meet the following conditions:

1. must be 65 years of age or older
2. must have contributed at least once

The Canada Pension Plan is a contributory system. The contribution rate is 1.8% of the employee's salary paid by both the employee and the employer for a total of 3.6%. A self-employed individual is required to pay the total 3.6%. The maximum contribution is based on a Yearly Maximum Pensionable Earnings (Y.M.P.E.) as calculated by the Canada Pension Office. The Y.M.P.E. is based on the average Canadian yearly earnings. The maximum contribution is 1.8% of this Y.M.P.E. less a $1,000 exemption. For example, in 1978 the maximum contribution was $10,400 (Y.M.P.E.) -

$1,000 (exemption) x 1.8% = $169.20. In 1979 it will be $192.60 with a Y.M.P.E. of $11,700.

The maximum Canada Pension Plan benefit receivable in 1978 was $2333 per annum. In order to be eligible for this amount you would have had to have contributed the maximum amount per year since 1966 (See Table 11). Otherwise your pension would be calculated on the basis of 25% of adjusted career earnings. Table 10 gives the average monthly payment made by the Canada Pension Office in 1976 and 1977.

The average Old Age Security Benefit payable in 1976 (See Table 9) was $131.29 a month. When combined with the average Canada Pension payment (See Table 10), of $67.34 it will yield a yearly income of $2383.56 for an individual with no company pension.

TABLE 10. CANADA PENSION PLAN BENEFITS: AVERAGE MONTHLY AMOUNT BY TYPE OF BENEFIT, MARCH 1976 AND MARCH 1977

TYPE OF BENEFIT	MARCH 1976	MARCH 1977
Retirement pensions (1)	$ 67.34	$ 80.63
Disability pensions	126.62	137.12
Disabled contributors' children's benefits	40.14	43.65
Surviving spouses' pensions	83.45	89.95
Orphans' benefits	40.59	44.05
Combined pensions	102.50	116.00
Death benefits	604.01	695.21

(1) The low average for retirement pensions is due to the fact that, until 1976, retirement pensions for eligible contributors were payable at proportionately reduced rates. This is not so for any other benefit which is payable at its full rate when eligibility is established.

Source: Canada Pension Plan Report for the Year Ended March 31, 1977

From earlier study it was calculated that 69% of New Brunswickers in the work force had no company pension (See Page 2 of this section). They would therefore be reliant solely on government subsidies. The 1976 average payment from government sources was even below the 1971 poverty level of $3,000.

The inadequacies of government subsidies as the sole source of retirement income are obvious. The original intent of government policy makers, especially those involved with the formulation of the Canada Pension System, was to in no way interfere with the composition of company pension systems.

TABLE II. MAXIMUM PENSIONABLE EARNINGS, MAXIMUM REQUIRED CONTRIBUTIONS AND BENEFITS UNDER THE CANADA PENSION PLAN FROM 1966 TO PRESENT

YEAR	MAXIMUM PENSIONABLE EARNINGS	MAXIMUM EMPLOYEE-EMPLOYER CONTRIBUTION*	MAXIMUM SELF-EMPLOYED CONTRIBUTION
1966	$ 5,000	$ 79.20	$ 158.40
1967	5,000	79.20	158.40
1968	5,100	81.00	162.00
1969	5,200	82.80	165.60
1970	5,300	84.60	169.20
1971	5,400	86.40	172.80
1972	5,500	88.20	176.40
1973	5,600	90.00	180.00
1974	6,600	106.20	212.40
1975	7,400	120.60	241.20
1976	8,300	135.00	270.00
1977	9,300	151.20	302.40
1978	10,400	169.20	338.40
1979	11,700	190.80	381.60

*(for full contribution multiply by 2)

Source: Canada Pension Office

The purpose of the Canada Pension Plan stated in 1964 was "to make reasonable minimum levels of income available to members of the labour force when they retire after 65 or become disabled and to their survivors".[9]

This has not happened, as of January 1, 1977 only 374 of the 1000 private sector pension plans were not directly integrated with either the Canada Pension system or the Quebec Pension Plan.[10] This development more than any other illustrates the need for co-operative action and consulation within the three groups concerned with retirement income. That is to say that before new policy is formulated, input should be made by the individual, business, and the government.

IV. SUMMARY

This section of our report has presented a framework of fact to aid in the formulation of pension policy. It gives an overview of the components that make up a pension system. Also discussed are the inadequacies evident in our present situation. How these problems are dealt with will have to be on a basis of a tiered system, whereby all parties concerned co-operate for the formation of a viable solution. Without this co-operation inadequacies will not be solved, only temporarily masked.

The responsibility for retirement income has not been attached to any one group. However, the people with the most to lose from an unstable system are the individual retirees. This group should be aware of the existing problems and push for their solution. This study by no means presents the complete situation. Areas such as Registered Retirement Savings Plans, Survivor Benefits and the inequalities on the basis of sex have not been examined. These are just a few of the important areas that should be studied in depth. What we have presented is a small area of the overall pension dilemma. This study perhaps illustrates best the glaring need for further exploration into this area.

V

FOOTNOTES

1. Statistics Canada; Pension Plans in New Brunswick as at January 1, 1977, Ottawa, Table 2

2. Joan Brown ed; How Much Choice, Ottawa 1975, Page 90

3. Statistics Canada; Pension Plans in New Brunswick as at January 1, 1977, Table 2

4. Ibid; Table 4

5. Ibid; Table 7

6. Information Canada; Senate Committee on Poverty, Ottawa, 1971, Page 3

7. Statistics Canada; Urban Family Expenditures, Table 2, Page 4

8. Ibid; 1971 Census Labour Force Characteristics Income by Sex, Ottawa, 1971

9. Canada; Health and Welfare Canada, The Canada Pension Plan on Changes in the Old Age Security Act (Ottawa, 1964) P1

10. Statistics Canada; Pension Plans in New Brunswick as at January 1, 1977, Table 57

SECTION H

VIEWS OF MANAGEMENT AND UNION LEADERS ABOUT ABOLISHING MANDATORY RETIREMENT

VIEWS OF MANAGEMENT AND UNION LEADERS ABOUT ABOLISHING MANDATORY RETIREMENT

I INTRODUCTION

The current debate about mandatory retirement is of great importance and concern to both union and management parties. This section outlines and discusses some arguments of these groups as they are put forward by local and national spokespersons.

II METHOD

The views of local labour and management personnel were solicited. In some cases their ideas were presented in a written statement but for the most part they were obtained through interviews and informal discussion. Newspapers and television interviews were also used as a source of information.

III FINDINGS

Both labour and management agree that mandatory retirement should be retained, but for different reasons.

(a) Union Views:

The president of the Saint John District Labour Council states that one reason he does not want to see mandatory retirement abolished is because he fears the pressure would then be removed to improve pensions. For example, in a society without mandatory retirement, a worker who complained about being unable to afford to retire due to inadequate pensions could be told that he or she was free to continue working. This is seen as a regressive step by union leaders,

who feel that before mandatory retirement is abolished, pensions must be improved.

Dennis McDermott, president of the Canadian Labour Congress has said he is "emphatically opposed" to Canadian legislation banning mandatory retirement. In an article in the April 1979 issue of Canadian Business he makes the following three arguments:

1. It wouldn't make life any easier for over-65 workers, because management would want to get rid of them even if compulsory retirement were illegal.
2. The Canadian Labour Congress is pushing for early retirement provisions in company pension plans. There would be little reason for such provisions if, at the same time, workers were encouraged to continue receiving paycheques past age 65.
3. Compulsory retirement for old people means more opportunities for young people. [1]

IV DISCUSSION - UNION VIEWS

The first argument put forward, that the abolition of mandatory retirement would reduce the pressure to improve pensions, is interesting but not supported by a logical analysis of the facts. The current practice of mandatory retirement has been in existence since 1884 and there has not been rapid progress made in the pension area under this

system. For example, about 70% of the New Brunswick work force is not covered by company pension plans and for those individuals relying solely on government pensions such as the Canada Pension Plan and Old Age Security, living conditions are deplorable. Many trade unionists argue that life expectancy in their type of work is far below 65 and consequently they ask why they should invest money into a pension which they will not live to enjoy. If this is the unfortunate situation, one would hope that the pension plan has provisions for the spouse and children. In fact, 97% of the private sector pension plans in Canada have no provisions for survivor benefits and consequently families are left with totally inadequate incomes on the death of the wage earner. Finally, pension adequacy with the exception of non-unionized and female job categories, does not seem to vary greatly between companies who practice mandatory retirement and those who do not.

Thus while the trade unionists argue that the pressure would be removed to improve pensions if mandatory retirement was abolished, the counter-argument is that under the current system, pressure has been ineffective in improving pensions, and abolition of mandatory retirement may increase rather than decrease the pressure for improvement.

In the first argument made by Dennis McDermott, he illustrates why the abolition of mandatory retirement would

work to improve the current level of pensions. He argues that management would want to get rid of the over 65 workers even if compulsory retirement were illegal. The most effective way to encourage employees to retire would be to offer an attractive pension plan as well as pre-retirement planning programs. Consequently, abolition would work to improve the standard of pensions and the quality of life for the retiree who for the most part is more than willing to stop working if pension income is adequate.

The second argument put forward by Dennis McDermott is that the Canadian Labour Congress is pushing for early retirement provisions in company pension plans. However, without mandatory retirement unions will still be free to negotiate a lower pensionable age and might, in fact, meet less resistance because management knows that they will not be able to rely on a mandatory retirement age to force the employee out.

The third argument made by the Canadian Labour Congress president is that compulsory retirement for old people means more opportunities for young people. Again, this is not supported by the facts because the vast majority of employees choose to retire voluntarily, consequently the effect of the employees who remain working would be minimal.

V FINDINGS

(a) Management Views

A primary concern voiced by management about abolishing mandatory retirement is how to deal with the long time employee who chooses to keep working past retirement age and is not performing adequately. The following quote from a top-level

executive in a Saint John business illustrates this point:

> "It is essential that mandatory retirement age be retained as an option by companies. Those who are advocating a removal of these rules do not know much about the problems of older workers. The main advantage of mandatory retirement is, in my experience, the protection of the employee. It is very unlikely that an employer will desire to retire an effective and productive employee at any age, but, in so many cases an employee who has been a respected and valuable associate eventually cannot or will not keep up to the rapidly changing environment and needs of the job. In many instances, from my experience, the employee did not even understand that he or she was not now measuring up to the current demands. A mandatory retirement plan allows the company to terminate that condition without destroying the regard and pride of the individual and in many cases will carry a problem for a few years to avoid wounding an employee who has in the past been a valuable asset to the company. Mandatory retirement was invented to deal with problems, not dispose of effective staff, an all too scarce commodity to lose".

VI DISCUSSION - MANAGEMENT VIEWS

The above argument is very convincing, however, there are several equally convincing rebuttals to this argument. They are as follows:

1. In companies where an enlightened retirement policy (adequate pensions and pre-retirement planning programmes) exists, the vast majority of employees will choose to retire rather than continue working. Consequently, the employee who chooses to continue working, and has to be terminated due to inadequacy would be a rarity.
2. The employee who does choose to continue working will have little support from management, the union, and fellow employees. Given policy statements made by labour leaders, unions will not support individuals who wish to continue working past pensionable age. This will lessen the threat of grievance and arbitration action.
3. Abolishing mandatory retirement will not mean that the aging but failing employee will be forced off the job in a degrading fashion. Companies will still feel compunction to retain the employee to pensionable age. If there is no pensionable age at the company this will provide further encouragement for management to establish one.
4. Finally, a policy of mandatory retirement for the purpose of protecting the employee from himself is cloyingly paternalistic. In other words, it is saying that all employees must retire at 65 in order to protect those employees who choose to keep on working, and are performing inadequately, from being forced out in humiliation.

VII FOOTNOTES

1. "The Economy", Canadian Business, April 1979, Page 166.

SECTION I

PRE-RETIREMENT PLANNING PROGRAMS

by

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PRE-RETIREMENT PLANNING PROGRAMS

I INTRODUCTION

There has been increasing stress in recent years on the importance of pre-retirement courses in assisting the worker to understand the full implications of retirement decisions and to plan accordingly. There has been a considerable mushrooming of activity in this field in the United States, Ontario and western provinces, and a multiplicity of government departments at provincial (and to a lesser extent federal) levels, are involved as well as educational institutions, unions, companies and voluntary agencies.

II METHOD

When this article was first conceived, the general objective in mind was to discover what retirement counselling services are available within the Saint John area, assess their course content and ability to serve the needs of the retiree, as well as to evaluate these programs in relation to the conceptual model which is developing among retirement planning counsellors.

These interests committed this work to a discussion with a wide variety of Social Service Agencies, governmental authorities and companies within the City of Saint John and Province of New Brunswick; an examination of one of Canada's leading counselling programs operated by the Ontario Minister of Education, and review of the current literature within the field of retirement planning.

III FINDINGS

(A) A CONCEPTUAL MODEL

Most pre-retirement planning programs basically attempt to utilize the services of special speakers knowledgeable in many relevant issues of retirement. The topics covered include: how to estimate income at retirement, pension income and government allowances, insurance and hospitalization, health and aging, wills and legal planning, savings and investment programs, the importance of budgeting, the use of leisure time, etc. Group sessions and, where needed, individual consultations are arranged.

Increasing efforts have been made to focus upon the individual's psychological health. The psycho-sociological approach to pre-retirement planning involves looking at the self, relationship with one's spouse (if any), implications for children and the family. Key psychological benefits to the individual includes the greater awareness of one's own potentiality, both for the individual, the family unit, and one's role in the community. Planning also involves an understanding of continued self-development with an eye to additional careers in retirement, taking leadership roles in the community (volunteerism), and understanding the community's need for leadership. This allows investigation and/or taking of courses that specifically meet the requirement of additional jobs in retirement.

plan and change their plan for that state in life called "Retirement". Pre-Retirement Planning also allows for the study of the desirability or potentiality of career change.

Pre-Retirement Preparation, on the other hand, is for persons within eighteen months of mandatory retirement, and ensures that the individual is aware of where to apply for specific benefits and can be specific to what their retirement income will be.

Life skills Planning suggests that individuals can improve their physical and general well-being in planning for retirement through understanding the various implications of changes that will occur in their life. One is called to review living arrangements and housing, the need for life-time exercise programming, the concepts of nutrition and changing food requirements as we grow older, the various aspects of medical maintenance. Basically, such programs operate through promotion of the individual's levels of general assuredness and self-awareness.

(B) ACTIVITIES WITHIN SAINT JOHN AND AREA

Within Saint John (and the Province) the only Pre-Retirement program in operation is that conducted by the Provincial Department of Labour and Manpower. This program

provides information of value for those who are contemplating their future in terms of retirement. This program was initiated in 1973 with investigation into the need for this service, and the first seminar was conducted in 1975. Since that time until the end of March 1979, 112 seminars have been hosted for 2,026 participants.

The Department's course content examines issues of finances (sources of retirement income, budgeting, consumerism, financial planning); legal planning, health, housing, adjustment to retirement and using your time. They make good use of guest speakers, films, discussions, a "Participant's Handbook", and their follow-up newsletter.

The Retirement Program staff consists of one full-time counsellor and a Program Supervisor, as well as seven part-time counsellors who serve Saint John, Moncton, Chatham, Bathurst, Campbellton, Edmundston and Woodstock. The counselling staff provide two basic types of programs: the first, Client Seminars, are two or two and a half day seminars conducted at a company site on the employees' time; the second, Public Seminars, are conducted as eight or nine week courses of two and a half hour duration each, and are held away from the work location and participated in on a completely voluntary basis. To date, 698 people have participated in the Public Seminars; 1,328 people in the Client Seminars (these figures include spouses).

In many ways this can be regarded as health experimentation and growth but statistics released by the Department of

Labour indicate that 3,000 people a year retire within New Brunswick, and rough calculations quickly indicate the limited reach of these services. A more serious problem is that the benefits of such courses are going mainly to employees of large organizations, public servants and individuals in the community who relate easily to adult education. They frequently miss out on employees of small organizations, unions, and those to whom involvement in adult education classes is not an easy situation.

Efforts to increase the effectiveness of this service are presently being investigated by the Department of Labour. An audio-visual presentation is being prepared for company use and the Department will be encouraging companies to begin conducting their own retirement planning programs. Discussion with some of our larger companies in Saint John indicated the need for this service and their interest in the same.

Conversation with one local company indicated that they had recently conducted their first "in-house" retirement counselling program. They housed their employees and their spouses at a local hotel for the two days in an attempt to provide an environment which would free them to devote their attentions upon themselves and the issue at hand. Assessment of the program indicated a very high level of response from employees and notes of appreciation that their company had endorsed this as such a relevant matter. (The Department of Labour noted that this was the first privately owned company in New Brunswick to take on such an effort).

Such attempts are encouraged by the Department of Labour and are seen as ways of improving awareness among the public. Similarly, the Department sponsors yearly conferences for professionals in the field and people who have participated in their course as a follow-up effort. Likewise, they mail a quarterly newsletter to all registrants with relevant news up-dates on housing, finances, etc.

On an individual basis as well, many of our local companies make a variety of attempts to help the individual. The retirement dinner and gold watch is a fairly well accepted and popular form of tribute to the individual among many firms. There does, however, appear to be a growing openness among most companies and a searching as to what more might be done. Employee Guidebooks to Retirement, payment of registration fees for retirement courses and one-to-one counselling in regards to company benefits or governmental programs are a few efforts which are being made to meet their employee's needs.

IV DISCUSSION

In correlation to the conceptual model of pre-retirement planning programs the Provincial program can be classified as "Pre-Retirement Preparation" in that the program basically attempts to ensure that the individual is aware of specific benefits and how to secure them. Pre-Retirement Planning and Life Skills Planning Programs are not available within New Brunswick. There has been little recognition of the individualized needs of

participants and the dissemination of personally relevant information.

The psycho-sociological orientation is coming to be seen as an increasingly important issue by the Department, but this focus tends to be dealt with on a fairly superficial and inadequate level. Attempts to deal with self-evaluation of one's life functioning, establishing retirement goals and defining ways of accomplishing the same demands focus upon an "introspective" searching and decision making processes which can have tremendous implications for change in the individual's life.

It cannot be assumed, however, because of these shortcomings that the Department's program efforts should be subject to undue criticism. Within the budgetary restraints and focus that has been placed upon this service, progress has been steady. After five years operation time, the Department is presently evaluating their program and establishing new ways of assisting individual companies to conduct their own "Pre-Retirement Preparation" programs. Debate over whether this issue should be the responsibility of individual companies may be open, but this approach does hold a tremendous potential for offering more effective help to a greater number of retiring people.

The beneficial results of these improvements can already be discerned with the one company that attempted this program. The aging worker and his spouse begins to accept retirement more easily than they did before, simply in light of

the fact that their company has seen this as a significant enough issue to endorse to such an extent. Some present day retirees may not appreciate sufficiently these attempts to encourage and promote retiring workers to think and plan for this change. A great deal of work is still to be done in this field of human relations, and a tremendous challenge is open to today's companies who wish to share in supporting their workers during this most crucial stage in their lives.

Whose reponsibility? Governments; private industry; the individuals? The fact is that if retirement and aging is to become seen as a normal and acceptable stage of life with its own riches and potential for growth and enjoyment, the responsibility for this change must be shared by all. Within Saint John, New Brunswick and Canada for that matter, the "cultural lag" between retirement and the role of the retiree is very evident.

Within many countries help in organizing life in retirement is seen as a very necessary service. Within the United States, for instance, various senior citizens organizations, such as the American Association of Retired People, as well as industry, labour, and government agencies, have joined forces not only to prepare the retiree for his new status but also to give him useful hints on how to organize his new life. For those who must work to augment their income, or want to, for instance, they furnish a list of suitable jobs and are resourceful in creating and finding part-time work or meaningful volunteer roles.

There is a tremendous need for Canadian retirees to assume more responsibility for their fate. Within the Western Provinces tremendous strides have been made in these areas, with older people themselves fighting for their cause. The New Brunswick Federation of Senior Citizens has the potential for promotion of the needs of seniors; to date, they have gained government action in the area of "Home-Care" services for seniors and management of financial grants to Senior Citizens Clubs who wish to accomplish special programs. There is, however, a tremendous need for promotion of senior's involvements in meeting some of their own needs.

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APPENDIX I

QUESTIONNAIRE ON RETIREMENT BENEFIT POLICIES

This survey is to be used solely for research purposes. Responses are coded to insure complete confidentiality.

I (a) Approximately how many people are employed by your organization?

(b) What unions represent your work force?

(c) How many employees retired in the years: (Of these retirees, please indicate the proportion who were younger than 65 and older than 65)

1976

1977

1978

II (a) How are employee pension benefits calculated?

(b) Who is eligible to receive retirement benefits?

(c) Are there provisions in your plan for early retirement? If so please explain.

(d) Are pension benefits negotiated as part of the collective agreement?

III (a) Is there a definite, special fund set up to receive pension contributions and to pay out benefits?

(b) What party (parties) contribute to the pension fund and in what proportion?

(c) How is the pension system administered?

(d) What is the approximate return on your pension investments?

(e) What is the range of individual pensions paid out?

IV (a) What is the retirement policy in your company?

(b) How is this policy determined?

V If you have any written material on retirement policies, we would appreciate receiving them.

APPENDIX II

This poverty level was developed by studying the spending patterns of a single individual living in an urban area. There are no considerations given to age. It is often argued that the elderly by need not spend as much on the necessities as does a younger person. Our justification for using these figures is that the cost of shelter does not vary greatly according to age. There are no concessions given to those over 65 for such things as rent, property, taxes, utilities, and upkeep. An individual over 65 may vary their eating patterns somewhat, however, it may cost them more for transportation to get supplies. The cost of wastage due to the unavailability of single portion food stuffs also figures strongly in the elderly's cost of living. Other expenses such as medical supplies help make up the difference in spending patterns that may exist due to age.